

# INSURANCE COUNSELOR

## Insurance Consumer Information Sheet

### The Michigan Basic Property Insurance Association

The Michigan Basic Property Insurance Association (MBPIA) was created to provide property insurance to qualified persons who cannot get insurance in the regular market. If you are qualified, you can get insurance through the MBPIA which is basically the same as an HO-2 or HO-3 policy form from regular companies, up to a specified maximum amount.

#### Qualifications

Homeowners insurance is available from the MBPIA to any qualified person on any qualified property.

1. You qualify for insurance through the MBPIA if you own or rent and live in "qualified property."
2. "Qualified Property" means residential property which meets building code standards, is not used for farm or business reasons, and is not used for illegal activities.

In order to determine if your property is "qualified," the MBPIA may want to have your property inspected (without cost to you). If the MBPIA decides that your property is not qualified, you are entitled to a WRITTEN explanation of why the property does not qualify and what you can do to make the property qualify.

#### MBPIA Policies

The MBPIA issues one-year policies, which can be renewed on qualified property

for the next two years without another inspection, if the MBPIA chooses to do so. In addition, the MBPIA can issue binders for up to 60 days on property that does not qualify. These binders insure your property while you are waiting for an inspection or while you are taking steps to make the property qualify.

#### MBPIA Replacement Cost Policies

A replacement cost policy is what most people mean by "homeowners insurance." These are available through the MBPIA. This policy allows you to replace, repair or rebuild your damaged property to its *original* condition, with the *same* kind and quality of materials. In order to buy this type of policy from the MBPIA, you must buy an amount of insurance equal to 80% of what it would cost to replace your property.

#### MBPIA Repair Cost Policies

The MBPIA also offers a repair cost policy. This type of policy allows you to replace, repair or rebuild your damaged property to a condition similar to what it was before the damage, using modern materials. In order to buy this type of policy from the MBPIA, you must buy an amount of insurance equal to what your property is currently worth. In general, this type of policy provides less coverage for about the same cost as a replacement cost policy.

The Insurance Counselor entitled "Homeowners Insurance: Replacement vs Repair Cost" explains the difference

between replacement cost and repair cost policies.

### **Additional Coverage Available**

The MBPIA also offers its policyholders the opportunity to purchase additional property insurance coverage for specific types of water damage.

This additional coverage offers policyholders the ability to purchase coverage of up to \$5,000 for water damage caused by rain, ice, snow or sleet. Policyholders should be aware, however that this coverage MAY STILL EXCLUDE COVERAGE FOR PROPERTY LOSSES RESULTING FROM FLOOD, SEWER OR DRAIN BACK UP OR OVERFLOW, OR GROUND WATER SEEPAGE. Policyholders that are interested in obtaining more details about this additional coverage and its cost should contact their insurance agent.

### **Rates**

The rates charged by the MBPIA for an HO-2 are based on an average of the 10 largest property insurers in the state. They may be higher or lower than rates charged by any regular company.

Rates charged for an HO-3 replacement cost policy are based on MBPIA expenses and losses for that policy form.

### **Cancellation**

If you have insurance in the regular market and your insurance company cancels or refuses to renew your insurance (except in cases of fraud, non-payment of premium or evidence of arson), your company must

tell you 30 days before your coverage stops to give you time to get insurance from another company or from the MBPIA. Your company must also explain in writing how to apply to the MBPIA.

Once you have insurance from the MBPIA, you can only be cancelled for:

- a. non-payment of premium;
- b. any reasons which would have made you or your property unqualified at the time you applied, had it been known.

If you are cancelled by the MBPIA, you will be told IN WRITING that you can ask the Board of Governors of the MBPIA to review the decision. If you are still not happy with the Board's decision, you can ask the Office of Financial and Insurance Services (OFIS) for a further review.

REMEMBER, if you are eligible for home insurance, BE SURE TO SHOP AROUND FOR THE BEST COMBINATION OF PRICE, COVERAGE AND SERVICE. If you are unable to get insurance through the regular market, ask your agent to apply for you to the MBPIA.

### **What To Do If You Have A Question Or Problem**

If you have an insurance question or problem, call your insurance agent or company. If they cannot help you, contact OFIS at the address or telephone number on the bottom of this sheet. OFIS is the state agency that regulates insurance in Michigan.